

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Refer Reply To:
CC:INTL:B03
PLR-127497-15

Date:
September 10, 2015

TY:

Corp X =

Date 1 =
Corp Y =
Date 2 =

Dear :

This is in response to your letter dated August 10, 2015, requesting a ruling that Corp X and its subsidiaries be permitted to change from the fair market value method to the tax book value method of asset valuation for purposes of apportioning interest expense.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Corp X, a domestic corporation, is a calendar year taxpayer that uses the accrual method as its overall method of accounting. Corp X is the common parent of a group of affiliated corporations that files a consolidated U.S. federal income tax return. On Date 1, Corp X acquired Corp Y and its subsidiaries. Corp Y has used the fair market value of asset valuation for purposes of apportioning interest expense for several years. Corp X had used the tax book value of asset valuation for purposes of apportioning interest expense for several years. Because of its acquisition of Corp Y, Corp X is required by Temp. Treas. Reg. §1.861-8T(c)(2), to use the fair market value of asset valuation as used by Corp Y.

Using the fair market value of asset valuation would result in an undue administrative burden and significant costs to Corp X. In order to avoid the significant costs of fair market valuation studies and to increase certainty around its interest expense, Corp X

requests to change to the tax book value method of asset valuation for its taxable year beginning Date 2 and all subsequent years.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§1.861-8 through 1.861-12 and Temp. Treas. Reg. §§1.861-8T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Temp. Treas. Reg. §1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either tax book value or the fair market value of its assets. Temp. Treas. Reg. §1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use such method unless expressly authorized by the Commissioner to change methods.

Based solely on the information submitted and the representations made, Corp X may use the tax book value method of assets valuation for purposes of apportioning interest expense, pursuant to Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), starting from its tax year beginning on Date 2 and for all subsequent taxable years and for all operative sections, including sections 199 and 904 of the Code, pursuant to Treas. Reg. §1.861-8(f)(2).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to Corp X. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, if Corp X files its returns electronically it may satisfy this requirement by attaching a statement to its return that provides the date and control number of the letter ruling.

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of Associate Chief Counsel
(International)

cc: